

It's time for a change . . . for Labour

by Colin James

ONE of my recurring nightmares is that the Labour Party will get into power in its present condition.

A one-term Government of Mick Connell, Ron Balles and Mai Ratana, "led" by Bill and Bob, with Richard Prebble letting off crackers and Roger Douglas dreaming up new ideas in the broom cupboard is a dismaying thought.

The first need in a Government of the 1980s will be coherence.

That implies broad agreement on the shape of society to be, on the measures to be pursued to achieve it and on tactics.

It also implies an intelligent, strong public image.

The Kirk Labour Party had that, largely because Norman Kirk was the Labour Party.

He stood for a decent opportunity for the small guy to live a decent life. That basic presumption underlay his

attitude to all issues — housing, for example, industrial relations, the economy, even international affairs.

As the present leader has said with befitting modesty, there is not a Norman Kirk among them now.

So it has to be a co-operative effort. If the leader has limited vision and inspiration of his own, he could at least coordinate and encourage others who do.

The public needs to see a bunch of half a dozen people who:

- Clearly see eye to eye;
- Can exploit their opponents' weaknesses;
- Grasp the essential elements of the major economic and social issues;
- Seem to have some idea of what to do about them.

Instead, the Labour Party right now looks like a stateless, aimless bunch of windfall harvesters.

But both now seem more appropriate to the 1960s than



RICHARD PREBBLE . . .

ANN HERCUS . . .

DAVID CAYGILL . . .

FRASER COLMAN . . .

shows world

where one would expect the cream of its talent to be displayed there are gathered people of widely different ages, styles, prejudices, ideologies and energies.

They are in three groups: the out-of-touch, the limited and the immobilised.

In the first group are several men nearing the end of their parliamentary life.

Some have had creditable parliamentary and even ministerial careers. Among them are Mick Connell, remembered in the Ministry of Works as the first minister in years to take an intelligent interest in its work, and Arthur Faulkner, regarded by his colleagues as someone who could take decisions.

But both now seem more appropriate to the 1960s than

sidelined in social welfare, a

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SPT-3

TAANZ faces cuts in insurance commissions

by Warren Berryman

THE Travel Agents Association of New Zealand (TAANZ) has been told that its members will have to take a cut in the commissions they receive for selling travel insurance.

Individual travel agents now receive 33.3 per cent commission for selling travel insurance.

TAANZ receives a 2½ per cent commission on all travel insurance sold by its members from the insurance companies.

This month's issue of Traveltrade put the cut among the pigeons.

To sell travel insurance, the agent might tell a few lies about skyhigh medical costs in the United States, or the thieves in foreign lands.

Travel agents collect the premiums and turn in to monthly bordereaux of policies written and premiums collected in the insurance companies.

The three leaders in travel insurance — Comprehensive, TAANZ, and Commercial Union —

told the TAANZ executive the commission rate was too high.

The insurance companies were concerned about rising claims costs for travel insurance and possible consumer pressure.

They hinted to TAANZ executives that an investigation of the travel insurance industry by — for example — the Consumer's Institute might make both TAANZ and the insurance companies appear to be acting contrary to the consumer's interests.

Covers provided by travel insurance include those for theft or loss of personal belongings, medical expenses, personal accident, airline strikes, and cancellation charges.

To sell travel insurance, the agent might tell a few lies about skyhigh medical costs in the United States, or the thieves in foreign lands.

Spokesmen from the insurance companies said savings achieved from reduced commissions would not be passed on to the consumer.

The three leaders in travel insurance — Comprehensive, TAANZ, and Commercial Union —

TAANZ executive director Peter Lowry has cautioned fellow executives on the need for their organisation to appear to be acting in the consumer's best interest — specifically now that TAANZ is leading a campaign against the Link Association's travel deals which pass considerable discounts on air travel back to their customers.

The 33.3 per cent commission paid by insurance companies to individual travel agents, can be undercut in a commercial sense as payment for services.

It is understood that travel insurance premiums total between \$2 and \$3 million a year. This would bring at least \$50,000 per year into TAANZ coffers — with no obvious direct benefit to the insurance companies.

TAANZ lost a court case to the Commissioner of Inland Revenue earlier this year, when TAANZ was adjudged to be liable to pay income tax on earnings from "outsiders" rather than the "mutual society" TAANZ claimed in.

As to the possibility of the Consumer's Institute investigating commissions paid to travel agents and TAANZ for travel insurance, it would appear that there is no immediate threat.



A tradition of Golden Service across three continents

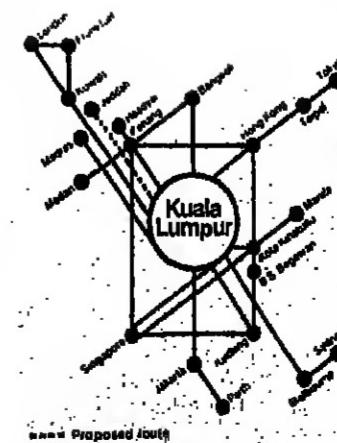
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EDITORIAL

THE Government marked the end of Conservation Week by announcing that native timber would be freed from price control—a move which is expected to curb the wasteful use of native timber and ensure that available supplies are reserved for premium use such as furniture.

The conservationists nevertheless continue to fight a hard campaign to preserve forests such as Whirinaki. Business interests, not surprisingly, are hitting back.

The chairman of Auckland-based sawmills and timber merchants Henderson and Pollard Ltd, C.W. Pollard, told the company's annual meeting it was "quite amazing that a handful of misguided environmentalists think they have the divine right to close up for stagnation the entire native forests of New Zealand". The conservationists, in fact, want to preserve when few forests remain.

Pollard continued: "I would ask what right they have to take these national assets out of production under the pretext of preserving a few birds, bees, spiders and mosquitoes." Thus he glibly dismissed concern for dwindling birdlife. Ten per cent of the world's birdlife now threatened with extinction are New Zealand species.

Pollard's concern, however, is that the Māngatū sawmill depends on logs from the Whirinaki forest, and Henderson and Pollards is joint owner of the mill. And Pollard considered it his "civil duty" to advise shareholders that the Māngatū sawmill was reaching full production, but that if environmentalists stop fellings in the forest, the sawmill might have to close.

Timber Merchants' Federation President R. McNeil supports the Whirinaki State Forest management plan. He describes it as logical and balanced, recognising both the ecological and productive value of the native forest. But he is concerned that the South Island might not be able to supply the national demand for high-grade timbers from its present reduced resources; enormous freight costs would be incurred in raising native timber north; and a rise in demand for imported timbers would cost millions of dollars in overseas funds.

New Zealand Furniture Manufacturers' Federation president J.W. Reeves warns about rising costs (through the necessity to import), and a loss of jobs in the furniture industry and lack of growth in skills which are vital to the continuation of the furniture industry. He argues that furniture manufacturers conserve overseas funds by diverting demand from imported timbers. And he argues that consumers are not interested in furniture made from exotic timbers (although a Forest Service survey of the larger North Island furniture-making enterprises, published earlier this year, shows that 81 per cent of the timber used for furniture is radiata pine; and only 7 per cent of the country's dressing grade native timber is used for furniture manufacture).

The consumer, indeed, looks large in anti-conservationist considerations. "It is good sense to protect a little of our unique native forestry resources into our city environment," said McNeil. "The New Zealand public is surely entitled to enjoy the beauties of our native timbers not only in the forests but in the towns and cities."

Reeves insists the consumer wants high quality furniture at prices he can afford, "thereby enabling him to enjoy a part of New Zealand's environment. In his very home."

Earlier this century, consumer demand for hula feathers (for women's hats) contributed to the bird's extinction. Curiously, a more modern reminder of a resource that is fast drying up.

Consumerism and conservation are incompatible. And businesses must accept that by putting consumer demands foremost, what remains of our native forests must be further exploited if not destroyed—and acknowledge the environmental consequences.

Bob Edlin

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THE news that Martinborough citizens are thinking of putting fluoride in their milk poses some interesting questions.

Will it still be "white milk" under the Milk Act? Or a "pink drink" along with flavoured milk, and therefore outside the scope of the Milk Board?

The freedom-of-choice lobby, which opposes water fluoridation, would be far happier if fluoride went into milk.

Adults don't get healthier teeth by drinking fluoridated water. Children who like fluoride come from 0 to 14 years old.

So why not satisfy everyone and simply fluoridate milk?

There are a few snags. Children vary in their milk-drinking habits from the "yuk" faction at nothing a day, to those who guzzle it by the litre.

Would some form of school milk be reintroduced?

Or would one order it direct from the milkman in a specially marked bottle?

At school, enforcement on non-milk lovers would be a problem—al home, sorting out who was to get fluoridated and who would get plain milk could cause a few headaches.

Or if the Borrow Milk Foundation, which has offered to help Marlborough with a pilot scheme, proposes to fluoridate the whole milk supply, the free-chokers will remain unsatisfied.

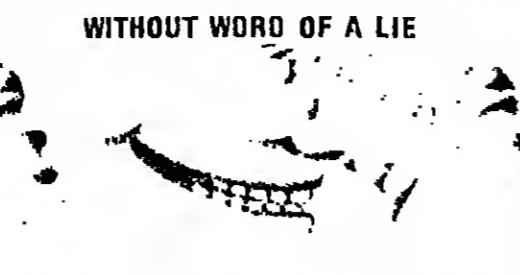
Parents have generally proved unreliable in getting their children to take fluoride in tablet or drop form.

Interest is bound to wane in a form of medication which has to persist for 14 years to give maximum benefits. The same would presumably apply to milk, in a scheme which for at least the school holiday period of the year depended on parental co-operation.

Offering the country's plain job to a labour man would certainly even the score as far as the major political parties are concerned, and silence forever those who accused the PM of putting a National's yes-man in the position.

Sir Keith and Sir Tom both enjoy humble origins, and began their lives as errand boys, though their political paths diverged in the right and left respectively.

Against this, it's a much cheaper to fluoridate part of



the milk supply than the whole milk supply, of which less than 1 per cent is used for drinking.

the Shipping Corporation board, a knighthood and retirement from the P.C.U. into more dignified activities have given Sir Tom the aura of an Establishment figure, even mixed with the Royal Family among the pages of the Woman's Weekly recently.

Sir Keith, reported to be in poor health, finished his term as Governor General in October, after Rob Muldoon returned next overseas joint.

And even then, Sir Keith, "I won't be fit more than a week", agreed, "but perhaps just something of a farce."

It's expected the scheme will load to little more than a 2 per cent saving in petrol consumption.

We wonder if that will be because of the large number of exemptions already granted to those fortunate to be in the right kind of jobs.

The Energy Ministry has so far refused to say how many exemptions have been granted, and we must therefore be forgiven for suggesting that number could be somewhat high.

Take those listed in the second schedule of the Economic Stabilisation Regulations (No 2) as "essential users" ... doctors, milk vendors, taxi drivers, security service operators, vets, funeral directors, and, of course journalists ... and that's just the beginning.

Then there is lots of scope for the inclusion of the businessman who has his own company and, of course, works seven days a week.

But one of the many loopholes who opened up for an exemption

is the relationship between smoking and life insurance.

She quickly learned that if you don't smoke, Metropolitan Life will give you a cheaper deal on your "clean air" life policy.

Continued from Page 1

we could get an hour with him.

Incidentally, last week us to impose the revolutionary tendencies of US companies called respectively Mr. de Castro and Mr. de Casto is no coincidence.

help, perhaps another car just to get them to the airport.

"Why don't you change the tire," came the (presumably) pretty Avis girl's reply.

"We don't have time," came the rejoinder. Apur from that, the prospect of emptying a full boot onto a busy Auckland street at rush hour didn't really appeal.

"Well I'm sorry you'll have to get a cab to the airport."

And they did—\$4 worth—and left the car where it was and the keys at the Avis desk at Auckland International.

"We try harder—but be damned," said the irate father when he got back.

WE record herewith an almost cryptic telegram received the other day from Auckland (with no name to identify the sender):

"Your reporter Helen Vause requested information about the Metropolitan Life Assurance Co of NZ Ltd share investment in the Continental Cigar Co Ltd."

It's only a shareholding, agreed, but perhaps just enough to hint at the sweet idealism of that clean air brochure.

In New Zealand, \$100 will take the traveller from Auckland to Wellington (\$68); or to Invercargill (\$79); and only pnt-wry back to Wellington again—at least after Air New Zealand gets its second domestic fare increase in as many months.

In addition to its fare increases, Air New Zealand is employing the knee-crunching

Metropolitan Life, says the brochure, is "giving a positive incentive towards improved public health and making our contribution towards a cleaner healthier environment".

Music to the non-smoker's ears. The policy is selling well too, according to a sales staff member who said: "We introduced it to encourage people to stop smoking."

More music to the clean air folk.

But—is the telegram shows—there's a spot of two-timing foot in this happy relationship between smoking and life assurance.

Metropolitan Life Assurance has a small shareholding in a local cigar manufacturing company.

It's only a shareholding, agreed, but perhaps just enough to hint at the sweet idealism of that clean air brochure.

Well, maybe you're right and Nafta is thriving.

Why, only the other day Trade and Industry Minister Lorne Adams-Schneider announced that agreement had been reached between the New Zealand and Australian Governments on yet another

list of goods for inclusion in Schedule A of the agreement (the free trade list).

Nafta favoured by the cut-price airlines it claims to dispense by shoving sales closer together to get more paying passengers into the can.

Continental entered the New Zealand market with great plums to promote New Zealand as a destination, but failed to place many bums on southbound seats. Possibly this is because New Zealand is not exactly the "Woolworths of travel destinations".

So maybe the flow of traffic will be reversed.

The list includes yet another number of items that should result in bumper export business for Kiwi exporters—such as glass fruits, white Portland cement, petroleum jelly, certain glass articles, machinery used in wine-making, agricultural falling under tariff heading 81.28, submersible pumps, bearing housings and motor-cycles ...

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Christchurch - Hotel Russley
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Forest shrinkage favours NZ

by Rae Mazengarb

LONG-standing neglect of forestry policy internationally should enhance New Zealand's potential as a wood exporter toward the year 2000.

World-wide demand for forest products is spiralling, but the area in forest is shrinking by some 11 million hectares each year.

Yet around the turn of the century, New Zealand's forestry industry could be producing nearly four times the present quantity of wood, with some 70 per cent available for export.

The Commission for the Future has already made this observation in the first of a series of booklets, "New Zealand in the Future World".

The first booklet, "Resources and Technology: Sustainability", attempts to set the basis for public discussion about New Zealand's opportunities and options in the resources area.

The Development Finance Corporation is also undertaking a comprehensive study of all aspects of forestry to find the gaps in the opportunities available to us.

Still some months from completion, the forestry study will be a long-term view; it will assess the resources we

have or will have in the future and their utilization after the 1980s.

New Zealand's average annual wood supply - around 9.5 million cubic metres - is projected to reach 24.4 million cubic metres by the years 2001-05 and 33.4 million cubic metres during 2006-10.

By those years we will be reaping the benefits of the heavy plantings of the mid-1970s.

Today's industries are using trees from the first planting boom during 1925 and 1937.

Planting dropped down to less than 500 hectares a year until 1960, when it was increased dramatically, but the full-fall during these years will lead to a shortage of exotic wood during the 1980s.

But the annual planting rate of 18,000 hectares in 1970

surged to 40,000 hectares by rapidly expanding pulp and timber industries.

Yet in some countries there has been a dramatic fall-off in tree plantings.

According to the British Forestry Commission, tree planting in Britain last year reached barely a third of the 18,000 hectare target.

While the woodlands of Africa, Asia and Latin America are being stripped away at the rate of 11 million hectare a year, world consumption of wood for all purposes is increasing rapidly.

The 2.5 billion cubic metres consumed in 1978 is projected to reach 4 billion by the mid-1990s.

With 70 million additional people requiring housing each year, the demand for lumber - still the universal building material - leaves an ever-growing claim on the world's forests.

The demand for firewood, the principal fuel in the countries with the fastest growing populations, is rapidly outstripping the sustainable yield of local forests.

The world demand for wood-pulp for newsprint and paper is also growing, though the effect of the electronic age for storing and exchanging information may have a marked effect on this trend.

The options are:

- Grow trees for pulpwood and/or energy liquid fuels or burning.

- Grow trees to produce a maximum volume of clear-wood which is of high quality and defect-free. Forests managed in this way will also produce substantial quantities in lower-grade wood suitable for pulpwood and energy production.

- If the shortage does not eventuate, the timber could still be used for log export, framing lumber or pulpwood.

Not only does New Zealand have choices about the quality of timber produced, but also choices about the extent in which timber is processed for export. The booklet identifies some of these options.

Discussion pertaining to the native species is held over for the chapter on nature conservation.

According to the commission, if a decision is made



As to whether it is a worthwhile exercise, or a Government gimmick - only the future will tell.

Futurists attempt to prove worth

THE Commission for the Future publication, "Resources and Technology: Sustainability", appeared publicly this week, the first in a series New Zealand in the future world.

The booklet was informally launched last week when the commission - now comfortably ensconced in the newly-opened National Provident Building, overlooking the Parliamentarians' future playground - hosted the press for a discussion seminar and lunch.

Wads of information, explaining both the role of the series of three booklets and the commission itself, were handed out for journalists to muse over until the embargo was lifted five days later.

But remarks made informally by some of those present betrayed more than a little scepticism about the planned effectiveness of the body.

The commission, established in 1977, obviously has a great deal to prove to the public - and to the politicians.

This year it is required to operate on a "shoe-string" budget of just under \$250,000, voted from Treasury.

The commission's role is to assemble and disseminate information about New Zealand's future in such a way that - hopefully - all New Zealanders will be drawn into the decision-making process.

Though established as an independent body, according

well endowed with natural resources, particularly energy.

But while these give a wide range of options for the future, we should look at the long-term social implications when planning for their use.

For instance, our huge natural gas and coal reserves give us options of self-sufficiency in transport fuels, industrialisation and/or the export of energy. But coal and gas will run out eventually and society will have to look to our abundant renewable resources, including forests, fisheries, water and land ... then learn to use them wisely.

To its chairman, Professor James Duncan, it has the advantage of being permitted to sight confidential material during its task of assessing long-term trends and developments both internationally and within New Zealand.

The first booklet focuses on natural resources and the possible influence of new technological developments on those resources, looking both at the world situation and New Zealand's own options for the future.

It does not attempt to predict what will happen in the next 30 years, nor to suggest what we should do. Rather, all three booklets in the series attempt to set the basis for a public discussion about New Zealand's future.

An accompanying paper points out that New Zealand is

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Commission outlines forestry options

FORESTRY for export is not the only path New Zealand could take after the turn of the century. But because trees take a long time to grow, forestry planning must also be appropriate.

Looking at export possibilities, New Zealand would be well placed if it opted for the production of clear-

wood.

Radiata pine is a suitable, fast-growing species in New Zealand conditions, and if the world shortage eventuates, that option will be lucrative, since the price of clearwood on world markets is substantially more per cubic metre than currently fetched for the country's framing timber.

If the shortage does not eventuate, the timber could still be used for log export, framing lumber or pulpwood.

Not only does New Zealand have choices about the quality of timber produced, but also choices about the extent in which timber is processed for export. The booklet identifies some of these options.

Discussion pertaining to the native species is held over for the chapter on nature conservation.

Fuel costs favour Wellington

by John Draper

RISING jet fuel costs are adding another argument in favour of extending Wellington's runway to handle DC10 planes.

The short runway is costing Air New Zealand an extra \$2 million because international flights, destined for Auckland, must carry sufficient fuel to make emergency landings at Christchurch.

Wellington's runway needs at least an extra 200 metres for

DC10s to be able to land under normal operating conditions.

Meanwhile Transport Ministry economists are putting the final touches to a report for Minister Colin McLachlan to take to Cabinet later this year.

Air New Zealand has already estimated that keeping its three remaining DC10s to maintain the capital's Tasman air link open is costing \$4 million a year.

Anthony acts as prime mover in establishing Tasman trading bloc

AUSTRALIAN Deputy Prime Minister Doug Anthony is the main mover in the Federal Government's drive toward negotiating a new trade agreement with New Zealand. It is Anthony who suggested the setting up of the Australia-New Zealand Businessmen's Council, which represents a wide range of banking, transport and manufacturing corporations in Australia.

The council has already had two meetings and has as its main objective the major expansion of trade between the two countries.

Anthony spoke to the council in July and said: "Trading blocs are the name of the game today. Nafta simply won't be able to meet our needs in the years ahead."

"There can be no doubt that the shape of the association between Australia and New Zealand, and the formal arrangements on which it is built, will be of critical importance in the difficult years that lie ahead".

The significance of Anthony's role in this matter, which could lead to the formation of a free trade area or customs union, is that he is the leader of the Country Party in the Government coalition. His support signals that the Australian farming groups are no longer fearful of New Zealand agriculture as a competitor on the home market.

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OVERSEAS TRADE

by John Draper and Rae Mazengarb

New Zealand has recently stepped up its exports to take advantage of the boom in Australian prices. And Australian wine growers would welcome free access to the New Zealand market, rather than the tariff loading that now exists.

In Sydney this week it is possible, for example, to buy Jacobs Creek claret at \$2.10 a bottle and casks (which represent more than six bottles in volume) as low as \$5.

The only farming group that would complain is the dairy men. Australian cheese sells for much higher prices than the local product in New Zealand, so cheap New Zealand cheese would seriously undermine Australian producers.

In all, though, there is serious commitment in Australia to the massive advancement in trade and the further interlocking of the two economies.

POLITICIANS both sides of the Tasman are shoving hard to roll the Nafta obstacle from the path of closer trading links.

Signed in 1965, the New Zealand-Australia Free Trade Agreement has undoubtedly played an important role in developing trade between the two countries.

But there have been rumblings from the Australian side at the lack of progress in widening tariff-free trade for some time.

The last round of talks in March, was described as a "big yawn" by Australian sources.

In Geneva, the multilateral trade negotiations finally reached agreement after years of talks but left New Zealand and Australia with little benefit.

Both are disappointed that there was little progress in opening up world markets to

agricultural produce as well as industrial products.

The result has almost been predictable. Australian Deputy Prime Minister and Trade Minister Doug Anthony has made strong statements indicating the need for a new look at the Tasman arrangement.

Overseas Trade Minister Brian Talboys and Prime Minister Bob Muldoon, though more cautious, have taken the same view.

Officials became increasingly little as only one side made the veto by one side made the proposal, at best, of the round of negotiations.

Adjusting the schedule positive stance, rather than negative, may again put life into the agreement.

Reforming Nafta to fulfil its aims to produce a genuine free trade area could be the first.

Nafta has become bogged down in its own bureaucracy.

Talks, which are held twice a year, are quadruplicate, inward developed to include in manufacturers and Government from both sides.

The first step is relatively easy. A major goods was put in place meaning those located in certain period.

Later other schedules and D — developed as quantitative results reflecting the different sizes and to manufacturers a bit exporting without the world.

This describes the present situation under Nafta where tariffs have been, or are being, reduced to zero on selected products traded between New Zealand and Australia, but this trade may still be affected by import quotas or other trade limit arrangements. Each country retains its own external tariff and other trade policies applying to the rest of the world.

• Full Free Trade Area:

A situation in which tariffs and trade barriers are removed on all products traded between the countries involved. Each country retains its own external tariff and other trade policies applying to the rest of the world.

• Limited Free Trade Area:

This describes the present situation under Nafta where tariffs have been, or are being, reduced to zero on selected products traded between New Zealand and Australia, but this trade may still be affected by import quotas or other trade limit arrangements. Each country retains its own external tariff and other trade policies applying to the rest of the world.

• Customs Union:

A free trade area, but with a common external tariff and common policies in other respects applying to imports from the rest of the world.

• Economic Union or Economic Community:

A customs union, but with additional provisions allowing for the free movement of people, capital, factors of production and co-ordination of various aspects of economic policy and development strategy. In situations where this extends to the co-ordination of monetary, fiscal and exchange rate policies, and the adoption of a common monetary system, the term "monetary union" is sometimes used.

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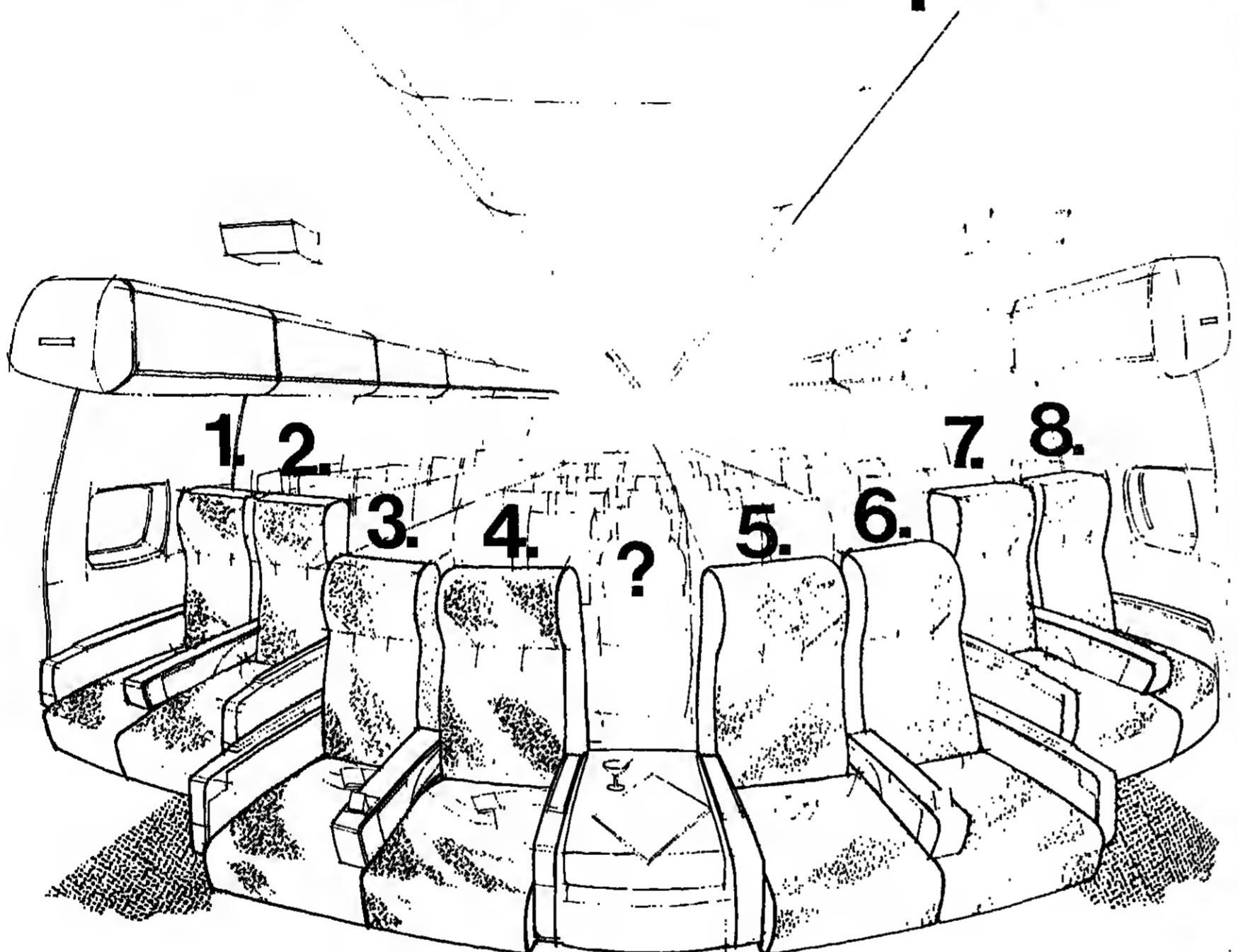
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Unions and investment curbs worried Germans

WEST German politicians and business leaders — being encouraged by the New Zealand Government to invest in this country — have balked at our overseas investment policies and industrial relations.

The nature of their misgivings was spelled out in talks with New Zealand Cabinet Ministers and departmental officers in Rotorua in October last year.

That was just before the general election — and the West Germans raised the question of a change of investment policy under a Labour Government.

The spectre of Comalco also loomed over the discussions.

The Comalco project at Bluff was given as an example of Australian raw materials being combined with New Zealand energy resources. The West Germans were told that such a combination had been the point of the abundant smelter now operating in New Zealand.

Whether they were told the nature of the Government's renegotiating the contract and changing the basis on which power was supplied to Comalco is not known.

New Zealand's immigration policies were raised as another problem area.

The West Germans were told our investment policy was under review under the National Government.

Visits by trade union leaders to West Germany were suggested as a means of overcoming industrial problems.

Interestingly, Manufacturers Federation president Fred Turnovsky last week suggested that FED president Jim Knox should visit West Germany.

The visit by the West German political leaders last year has been followed up this year by visits from teams of scientists and businessmen.

No significant investment deals have resulted from the visits.

Minutes of the Rotorua meeting perhaps give a clue to why the West Germans have not been as eager to invest as the New Zealand Government has been eager to welcome West German investment.

Among those at the meeting were West Germany's Minister for Economics, Otto von Lamadoff, and New Zealand's Minister of Foreign Affairs (Brian Talboys), Minister of Regional Development (George Gair) and Associate Minister of Finance (Hugh Templeton). Others present were Dr G. Sohl, of West Germany's Federation of Industries, Baron von Heereman, of the German Farmers Association, H.O. Vetter, of the German Trade Union Confederation, D. I. Gamble of New Zealand's Trade and Industry Department and I.D. Dick, from the Ministry of Energy.

The meeting was aimed at identifying areas of potential economic co-operation between New Zealand and West Germany.

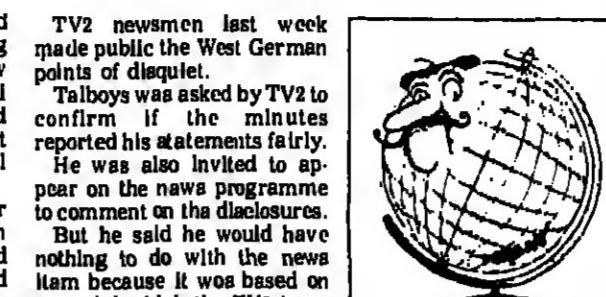
Talboys explained that whatever the Labour Party said before an election, its attitude could be different if it won the election.

He said that basic changes which had been occurring in the economy had been forcing changes of policy attitudes.

Templeton indicated that the Government would be preparing an overview on investment.

By the time the business mission arrived in New Zealand, the review should be completed.

West German trade union leader Vetter raised the question of labour relations.



THE EUROPEAN VIEW

This might affect possible investment in operation between the two countries, he said.

He saw an English tradition in our trade unions. This could not be overcome overnight.

And Vetter said he had gained the impression from talks with trade union leaders in Wellington that they were not prepared to accept foreign investment silently, in view of current economic circumstances.

Lamadoff said labour

relations were important for any investor. And the New Zealand system was not an attractive point for the Germans, he pointed out.

Vetter indicated that some New Zealand trade union leaders might be invited to Germany.

The Germans would actively seek such visits during international discussions, such as when New Zealand trade union leaders were visiting Europe.

One of the New Zealand officials suggested that if problems were to arise in industry, it would be useful if trade union experts of both countries could get together early to resolve such difficulties.

Lamadoff raised the question of New Zealand's immigration restrictions, describing the issue as "difficult".

He raised the question of New Zealand's immigration restrictions, describing the issue as "difficult".

He pointed out it was not possible to help with development if skilled people could not enter this country.

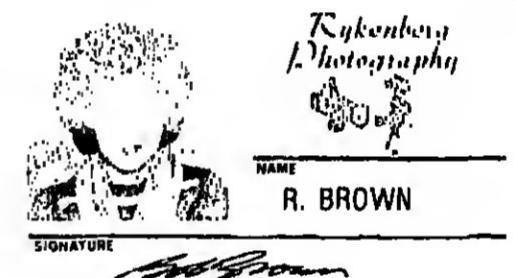
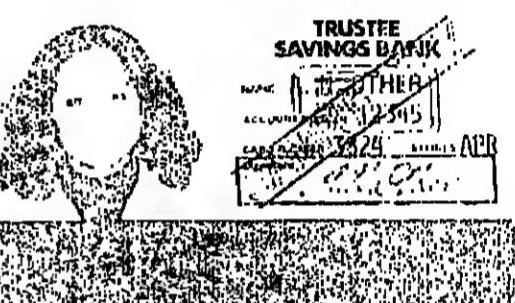
And he said there were potential areas another investment target.

Templeton indicated New Zealand should take particular note of the point made about migration difficulties in relation to developing joint ventures and foreign investment.

New Zealand's large forest potential was said to be another investment target.

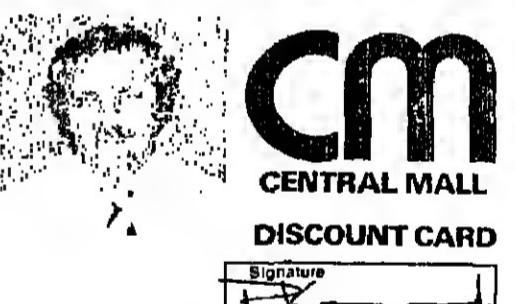
The visitors were told that two large forest areas would be available for cutting in the mid to end 1980s, and the end use of these forest areas had not yet been decided.

Another area for possible investment was further development of food processing and processing of primary products. Development of the engineering sector in New Zealand was suggested also as an area for investment by German enterprises.



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R. BROWN

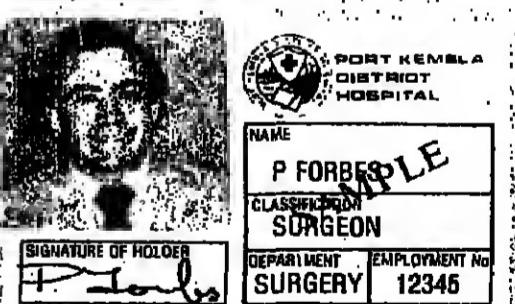
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NBR BUSINESS WEEK

McLay sets framework for commercial reform

by Peter V O'Brien

JUSTICE Minister Jim McLay has expounded the philosophy that he wants to apply in promoting and passing commercial law reforms.

McLay gave the annual dinner of the Finance Houses Association a statement of his philosophy last week. The speech would say his generalities have to be judged against a background of Government action in the areas to which he addressed himself.

McLay's comments could come back to haunt him if

people examine current and future government legislation within the framework of his philosophical principles.

McLay had five points. The first was the currently popular enunciation of belief in private enterprise — an appropriate starting point since the address was given to the nation's financiers in the panelled dining room of the Wellington Club, under the portrait of Branden gazing several at the back of McLay's head as the port did the rounds.

"First there is the belief in

private enterprise and free competition; and the firm conviction that it is the private sector that is more efficient and better able to handle most enterprises, particularly commercial enterprise. If we have learned nothing else, in the years since 1935, we are now aware of the danger of allowing an all powerful state to conduct our affairs.

"The Government's role should be no more than to create the necessary conditions within which commerce, industry, the professions, art, literature and

education can thrive and prosper to the benefit of the whole community."

A fifth principle, which could be applied usefully in the field of transport licensing, the ability of private enterprise to compete with the Railways, the State-owned airline, and local body transport. Perhaps McLay meant existing committees, and paralysed ministers who are empowered to decide whether there is an "urgent need" for particular skills, ingenuity and drive.

McLay elaborated his first principle: "at no time since the days of the early settler

has this country had a more urgent need for the skills, ingenuity and drive of the individual entrepreneur".

True, and certain to be supported by those entrepreneurs who have tried to work their way through the maze of approvals, reports, inter-departmental committees, and paralysed ministers who are empowered to decide whether there is an "urgent need" for particular skills, ingenuity and drive.

McLay's second principle related to a "clear ownership of the role that the State should — and more important should not — play in controlling and regulating business affairs".

He believed that the State should do no more than define the boundaries within which the private sector can operate.

"There is no doubt that in certain circumstances rules are necessary for the protection of the public and sometimes for the protection of the commercial sector itself".

He then referred to the Finance Houses Association support for the Securities Act, which would ensure that the public is properly informed in investment matters, and that, "as a result, the reputation of legitimate, safe investment does not suffer".

There would be little quarrel with the Securities Act, but McLay could easily bring his philosophical point to the attention of his brethren holding the portfolios of Transport, Works, Trade and Industry, Overseas Trade in the field of a limited number of licences to export particular types of produce, which the licensees often present kindly, and Immigration trying to fit in overseas persons into the categories of desired immigrants.

McLay said his third point was his non-acceptance of the proposition that "private industry and commerce being concerned as they must be with efficiency and profitability are incapable of setting in a socially responsible manner".

Good stuff, which might be pointed out to his leader when the latter is next prompted to wave sticks at whatever forgot may be attracting him.

The fourth McLay principle was self-regulation. "I believe that, if there is a need for regulation and control — and I think we all accept it in certain

circumstances... then a better provided for by the market itself."

Thus, apparently, firms for people on fields administrative and technical which regular control industry and commerce.

McLay was, of course, drawing attention to the composition of the Economic Commission, a body which comprises people who have or have operated in marketplace. But sales are lumped into a global total, and, apart from vague references to the year's trading in the managing director's review, it is impossible to calculate each division's performance.

Anyone with knowledge of the economy understands that housebuilding and related activities are depressed, and likely to remain that way for some time, although they are told Odins' results "reflected an improvement in the performance of our land and housing division".

But what do they make of the general statement about total group turnover? "This encouraging increase in turnover was achieved by obtaining a larger share of the reducing market for builders' supplies, by extending our activities into local areas of trading not previously pursued and by expanding our export markets

and consequently increasing our export sales".

What new areas of trading? How much did export sales return? The report says exports were 24.2 per cent higher in value than in 1978, before taking account of exports made through associate companies. What was the base from which the 24.2 per cent

Odins Limited

Annual Report and Accounts (1978)

"sundry expenses" increased 8.8 per cent over 1978, compared with a 10.9 per cent lift in turnover, excluding sundry income. Salaries, wages and other items connected with remuneration went up 9.4 per cent, so the group imposed tight cost controls.

The structure of the balance sheet reflects the changing trading pattern in Odins' industries. Rise of \$6 million in both current assets and current liabilities are broken down fully in the notes. The movement in current assets related particularly to a \$4.1 million increase in stocks, of which "timber and joinery" contributed \$1.2 million, the Zip Industries subsidiary \$1.8 million, and Tinga \$840,000. Holdings of housing and land were down \$500,000 on the previous year. Debtors moved up to a reasonable \$2 million from the \$1.6 million in the 1978 report.

No reader will discover which allowance or concession provided which amount of tax relief.

The group reveals expenses, and that is a credit point. The statement of expenses shows that materials services and

mainly the ratio. The schedule of debt repayments suggests that the dollar outflow will rise substantially in each of those years, unless debt is financed from internal sources.

The company is in reasonable financial shape, but the return on funds has slumped to an unsatisfactory level. Odins earned 7.58 per cent on average shareholders funds last year, after allowance for minority interests in group profit, compared with 9.27 per cent in 1978, 15.65 per cent in 1977, 14.21 per cent in 1976 and 17 per cent back in 1975 (more happy days).

Some assets were revalued over that period with a consequent rise in capital reserves, but the return on shareholders funds has deteriorated significantly in real terms. Trading profit after tax is still \$1 million below that of 1977, reflecting the state of the economy, although the directors are still optimistic in the longer term.

Analysing annual accounts

by Peter V O'Brien

ODLINS Ltd is a big company, but the annual report has deficiencies which are out of place in an organisation with total assets of \$90.5 million and a turnover of \$109 million.

First is the question of divisional accounting. Odins is engaged in industries ranging from land development and housebuilding to electrical appliances, and has associate companies involved in furniture manufacture, export of logs and wood chips, and other diverse activities.

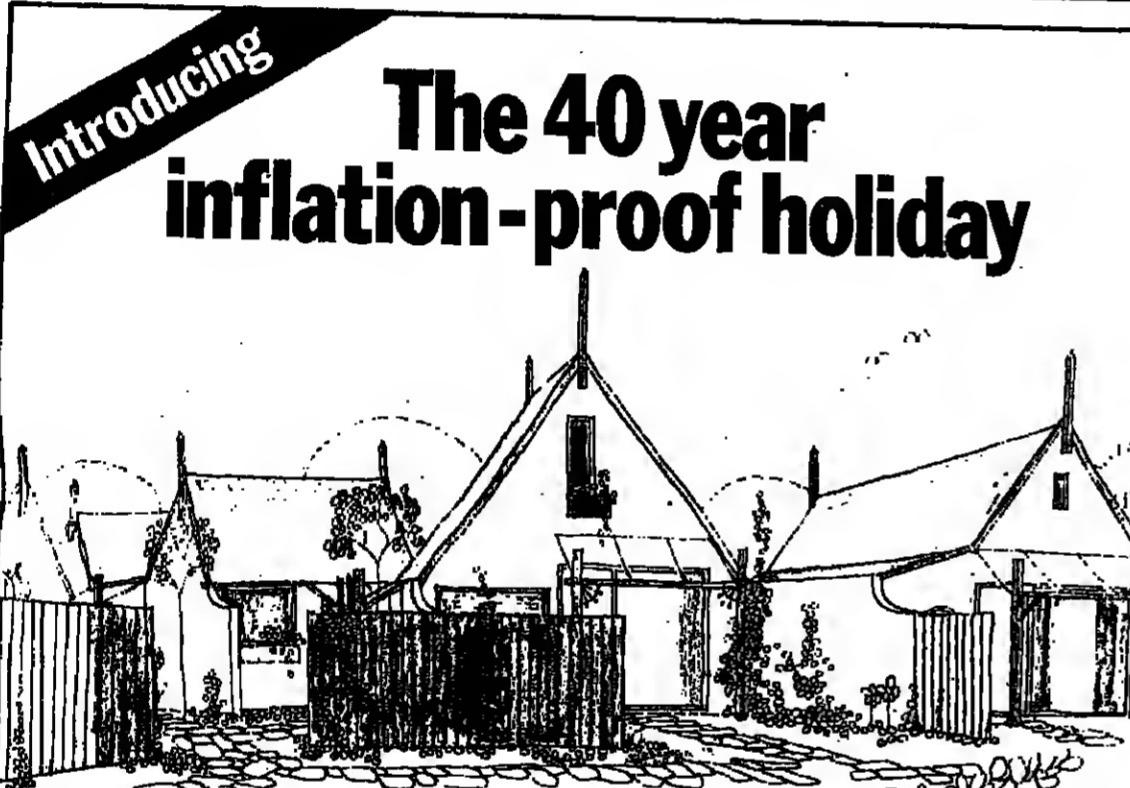
The point is relevant when one looks at Odins' tax provision. The company had pre-tax trading profit of \$1,329,000, compared with \$1,385,800 in the previous year. The tax liability was \$1,262,481, or 29.16 per cent of pre-tax earnings. In 1978 the group paid \$893,219 in tax (20.82 per cent), after taking in a stock adjustment allowance of \$60,000.

The statement of accounting principles has the usual provision on taxation: "The figure for income tax is the amount of the estimated tax liability calculated at 45 cents per \$1 in respect of the accounting profit reported for the year after making allowances for concessions, including export market development expenditure, export incentives, investment allowances and development expenditure relating to afforestation and farming".

Finally, McLay had a philosophical conclusion: "That it is an efficient profitable private sector provides more incentive and working conditions for greater investment and production and export trade".

But what do they make of the general statement about total group turnover? "This encouraging increase in turnover was achieved by obtaining a larger share of the reducing market for builders' supplies, by extending our activities into local areas of trading not previously pursued and by expanding our export markets

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The National Bank of New Zealand Limited

Key indicators

	Current Period	Previous Year	Per cent change
Consumers Price Index — all groups base Dec 1977 = 100	June 79 Qtr. 1177	1077	+12.00
Building Permits Issued	Feb '79 51,100 m ²	56,700 m ²	+27.91
Official Unemployment — incl those on special work schemes	June 1979 31,041.5m	31,041.5m	+1.12
NZUC Share Price Index	July 1979 51,064	46,894	+8.9
Reserve Bank Share Price Index	14 Aug 79 348.73	326.09	+6.2
	14 Aug 79 1474	1372	+7.4

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Retail sales follow erratic growth pattern

by Peter V O'Brien
GROWTH of retail sales may be levelling off.

The June quarter figures released by the Department of Statistics last week reveal an erratic pattern when total store turnover is related to constant 1974 dollars, a technique which removes the effects of price inflation.

Total sales increased 4.8 per cent when compared with the June quarter of 1978, as against 3.8 per cent between March of that year and March, 1979, and 7.1 per cent on a December to December quarter basis.

The relationship between the June and March quarters of each year may lead to the conclusion that real sales are improving, but that comparison has to be considered with reference to the sizeable downturn in the second quarter of 1978.

The early part of last year was a bad time for retailers. They suffered from the decline in demand and from retrenchment in all aspects of the economy. Then the famed or notorious, depending on one's viewpoint, economic stimulation worked through to the stores.

Between June, 1977 and June, 1978, retail store turnover fell 8.2 per cent in real terms, so the latest figures are struck from a depressed base.

The department's analysis omits price adjusted turnover by store types and it is impossible to work out which groups were above or below the overall 4.8 per cent lift on a June to June year.

Unadjusted statistics are produced. They show an understandable pattern. A 21.3 per cent change in

sales of the butcher and poultry groups relates to the solid increases in export prices for meat, which is translated directly into the local market. Other food went up 22.6 per cent, in line with the rapid change in the corresponding section of the Consumers Price Index in recent months (a movement which has now steadied).

At the other end of the percentage changes, footwear and apparel increased in straight dollar terms 8.8 and 5.8 per cent respectively. The former seems to have two general components. First is the massive increase in leather prices, which creates buyer resistance to offset the higher prices of the footwear. Secondly, a declining adult population over the last year probably affected sales.

The apparel section is more complex. The population factor may play a part, but a relatively mild winter (which should show up in June quarter) could affect clothing sales. Retailers in that statistical group are cutting their losses, from casual observation, on the August sales.

Price markdowns in clothing stores are considerable this year, even in products which usually have a steady sales level; for example into a suit. Clothing manufacturers have felt a squeeze for some time, with lay-offs of staff, and adjustment to lower demand.

Furniture and soft furnishings improved 13.1 per cent over the 1978 June quarter, almost the same as the 13.3 per cent increase for the global "all stores" type. That market is a combination of furniture and furnishings for new dwellings (well down

on the previous year) and replacement goods. The latter changes regularly, so the "reasons" for shifts in demand in that area have many variables, and need much more detail before they can be subjected to meaningful analysis.

In the appliance sector, a lift of 18.1 per cent compares with a 27.8 per cent movement between March, 1978, and 1979.

Chemical sales rose 6.1 per cent between June and June, compared with 10.7 per cent in March, calculated on a similar

annual basis. It would be interesting to know the effect of weather on that store group. Chemists enjoyed an 18.0 per cent sales increase between June, 1977 and June, 1978, unadjusted for price movements. Were there more sniffles last year, fewer in 1977, or again fewer this year? And what effect does snuffles and cosmetics have on the figures?

Those questions have to remain unanswered, but the regular solid increases in hardware, builders' hardware, and paint show that the

handyman and renovator is still a familiar sight in the nation's stores, and a hard worker in the nation's weekends.

An erosion of sales real terms may also be apparent by September, if October tax cuts reverse that trend in the quarter of the calendar installers will face a difficult period if they decide to save, rather than spend any increase in

home pay.

Builders are going down the economic drain, but someone

is improving the old

numerous existing

subject to the effects

of goods

related to oil by-products.

WEEK ENDING AUGUST 16, 1979

	Last Sale	High	Low	Dividend Yield	Reported Turnover	P.E. Ratio	Last Sale	High	Low	Dividend Yield	Reported Turnover	P.E. Ratio	
	Week's High	Week's Low					Week's High	Week's Low					
1979							1979						
AUGUST 21							AUGUST 21						
ALBANY, LTD.	115	100	105	1.2	4.5	245	150	JAPLE AVIATION	170	160	180	1.4	4.1
ALIAS, LTD.	225	210	230	11.1	9.0	265	150	JAYTE SMITH, LTD.	21	20	250	5.5	5.2
ALLEN, LTD.	110	90	110	1.3	4.5	245	150	JAYTE, LTD.	24	24	240	5.5	4.5
ALTAIR, LTD.	120	105	125	1.2	4.0	245	150	J.D. NICHOLSON	115	121	1400	6.8	4.5
ALLIANCE, LTD.	245	225	260	1.2	3.6	170	120	JEWELLERS LTD.	122	127	125	6.0	4.7
ALLIANCE, SOC.	65	70	65	1.0	3.6	140	118	J.J. NICHOLSON	47	57	57	1.7	4.6
ALLIEE FARMERS	180	150	147	1.0	3.0	210	150	J.M. NICHOLSON	133	130	130	6.0	4.8
ALLIEE PRESS	220	190	210	1.0	3.0	210	150	J.M. NICHOLSON	110	113	120	6.0	4.8
ALLIEE, LTD.	210	210	210	1.0	3.0	210	150	J.W. NICHOLSON	110	113	120	6.0	4.8
ALLIEE, LTD.	100	77	100	1.1	3.0	210	150	J.W. NICHOLSON	10	50	50	1.1	2.5
AMPOL PETROLEUM, LTD.	100	100	81	1.3	3.0	60	41	J.W. NICHOLSON	10	50	50	1.1	2.5
ANDEVER	130	110	139	1.0	3.5	210	160	J.W. NICHOLSON	207	205	150	6.0	4.7
ANDREW, LTD.	170	150	195	1.0	3.5	120	95	J.W. NICHOLSON	55	55	55	1.1	2.5
ANDREW, LTD.	240	245	245	1.0	3.5	120	95	J.W. NICHOLSON	77	77	76	1.1	2.5
ANDREW, LTD.	260	190	245	1.0	3.5	120	95	J.W. NICHOLSON	24	24	23	2.0	4.8
ANDREW, LTD.	110	95	110	1.0	3.5	120	95	J.W. NICHOLSON	100	100	100	1.1	2.5
ANDREW, LTD.	120	105	125	1.0	3.5	120	95	J.W. NICHOLSON	105	105	105	1.1	2.5
ANDREW, LTD.	125	115	125	1.0	3.5	120	95	J.W. NICHOLSON	125	125	125	1.1	2.5
ANDREW, LTD.	130	115	130	1.0	3.5	120	95	J.W. NICHOLSON	135	135	135	1.1	2.5
ANDREW, LTD.	135	115	135	1.0	3.5	120	95	J.W. NICHOLSON	145	145	145	1.1	2.5
ANDREW, LTD.	140	120	140	1.0	3.5	120	95	J.W. NICHOLSON	155	155	155	1.1	2.5
ANDREW, LTD.	145	125	145	1.0	3.5	120	95	J.W. NICHOLSON	165	165	165	1.1	2.5
ANDREW, LTD.	150	130	150	1.0	3.5	120	95	J.W. NICHOLSON	175	175	175	1.1	2.5
ANDREW, LTD.	155	135	155	1.0	3.5	120	95	J.W. NICHOLSON	185	185	185	1.1	2.5
ANDREW, LTD.	160	140	160	1.0	3.5	120	95	J.W. NICHOLSON	195	195	195	1.1	2.5
ANDREW, LTD.	165	145	165	1.0	3.5	120	95	J.W. NICHOLSON	205	205	205	1.1	2.5
ANDREW, LTD.	170	150	170	1.0	3.5	120	95	J.W. NICHOLSON	215	215	215	1.1	2.5
ANDREW, LTD.	175	155	175	1.0	3.5	120	95	J.W. NICHOLSON	225	225	225	1.1	2.5
ANDREW, LTD.	180	160	180	1.0	3.5	120	95	J.W. NICHOLSON	235	235	235	1.1	2.5
ANDREW, LTD.	185	165	185	1.0	3.5	120	95	J.W. NICHOLSON	245	245	245	1.1	2.5
ANDREW, LTD.	190	170	190	1.0	3.5	120	95	J.W. NICHOLSON	255	255	255	1.1	2.5
ANDREW, LTD.	195	175	195	1.0	3.5	120	95	J.W. NICHOLSON	265	265	265	1.1	2.5
ANDREW, LTD.	200	180	200	1.0	3.5	120	95	J.W. NICHOLSON	275	275	275	1.1	2.5
ANDREW, LTD.	205	185	205	1.0	3.5	120	95	J.W. NICHOLSON	285	285	285	1.1	2.5
ANDREW, LTD.	210	190	210	1.0	3.5	120	95	J.W. NICHOLSON	295	295	295	1.1	2.5
ANDREW, LTD.	215	195	215	1.0	3.5	120	95	J.W. NICHOLSON	305	305	305	1.1	2.5
ANDREW, LTD.	220	200	220	1.0	3.5	120	95	J.W. NICHOLSON	315	315	315	1.1	2.5
ANDREW, LTD.	225	205	225	1.0	3.5	120	95	J.W. NICHOLSON	325	325	325	1.1	2.5
ANDREW, LTD.	230	210	230	1.0	3.5	120	95	J.W. NICHOLSON	335	335	335	1.1	2.5
ANDREW, LTD.	235	215	235	1.0	3.5	120	95	J.W. NICHOLSON	345	345	345	1.1	2.5
ANDREW, LTD.	240	220	240	1.0	3.5	120	95	J.W. NICHOLSON	355	355	355	1.1	2.5
ANDREW, LTD.	245	225	245	1.0	3.5	120	95	J.W. NICHOLSON	365	365	365	1.1	2.5
ANDREW, LTD.	250	230	250	1.0	3.5	120	95						

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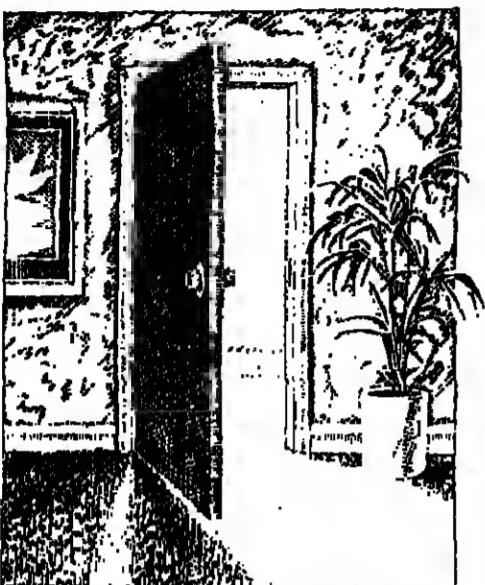
Teletype _____

Fax _____

Other _____

Date _____

Confessions of an advertising agency



Ogilvy and Mather New Zealand has created over \$26 million worth of advertising that sells.

Today we reveal some of our trade secrets.

1. The most important decision

We have learned that the effect of your advertising on your sales depends more on this decision than any other: how should you position your product?

The results of your campaign depend less on how we write your advertising than on how your product is positioned.

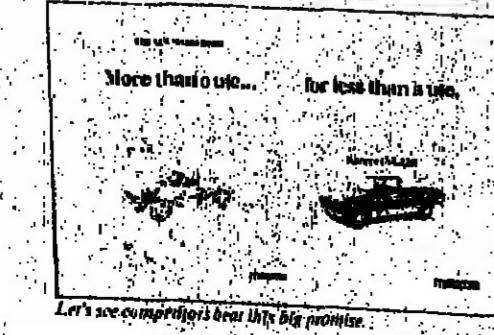
We positioned Crown Crest Glass alongside the world's best... and highlighted the cost advantages.



2. Large promise

The second most important decision is this: what should you promise the customer? A promise is not a claim or a theme or a slogan or a concept. It is a benefit for the consumer. Most advertising promises nothing. It is doomed to fail in the marketplace.

Philip's famous K series of "color so natural it's almost like being there" has run for six years. Owing to that, many are thinking that, good or bad.



3. Brand image

Every advertisement should contribute to the complex symbol which is the brand image. 95 per cent of all advertising is created ad hoc. Most products lack any consistent image from one year to another.

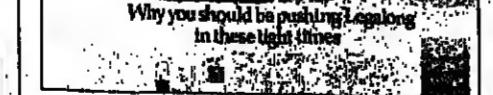
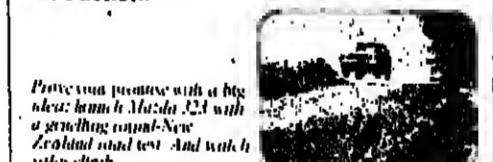
The manufacturer who dedicates his advertising to building the most sharply defined personality for his brand gets the largest share of the market.



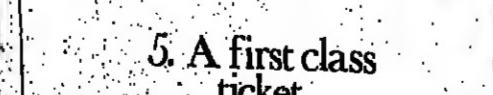
For Hemingway, the image of the helpful travel company.

4. Big ideas

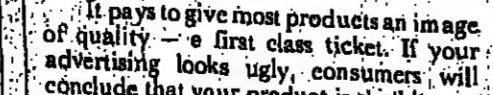
Unless your advertising is built on a big idea it will pass like a ship in the night. It takes a big idea to jolt the customer out of his or her indifference — to make him notice your advertising, remember it and take action.



Trade advertising deserves a big idea too.



For Bata, a series of innovative L-shaped daily press advertisements.



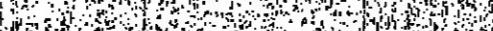
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CHARGING UP FOOD... symptom of credit addiction.

"How many companies have been over-computerised by over-fast salesmen?"

"A salesman will sell me what he's got rather than what I want. I won't know for certain I'm buying the right computer system 'till after I've bought it."

Have you ever thought like that? It's a common feeling among those considering computerisation.

CBL has an enormous range of systems. We'll sell you the right program because we've got the right program.

Computer systems designed to solve business problems

CBL has on-line systems available to give instant access to a whole range of business information:

- budget comparisons with actual performance
- cash flow forecasts
- parts stock and order position
- customer credit control
- clients transactions in solicitors trust accounts
- and many more.

We have supplied computer systems to concerns ranging from a major motorcar assembler, to electricity supply authorities to law offices. If you have a business problem CBL will invariably have a computer system for it.

The biggest decision you may ever be responsible for
Of course you take it seriously. You want your options laid out in plain language; you want practical systems to choose from; you want

Auckland - Kim Walker 31-489
Hamilton - Mike Bell 84-319
Wellington - Ralph Martin 857-939
Christchurch - Ross Allan 797-480

EM 22688

As an organisation described as somewhere between the Merrie Guidance Council and Alcoholics Anonymous, the chief concern of the CCCS is families with a "chargeaholic".

Though the organization runs a preventive service, most people come too late — as with alcoholism, it is hard to admit the truth — and by then repayment can be a long and painful process".

"Some of the symptoms — paying off one credit card account with credit from another; paying for food or dry-cleaning on credit; juggling bills; because you

have the money at once, borrowing to pay off a smaller debt.

McLoughlin claims that it's too easy to write the Americans off as "consumer addicts". In other countries given the same opportunities, particularly Britain and Sweden, she detects the same trend.

It doesn't happen here — yet. But we are following the Americans, British and Australians into an age in which credit, not money, makes the world go round.

The wages of credit are debt, Americans have learnt to their cost.

Organisations such as "Spenderaholics", "Debtors

people who have a practical understanding of your business problems and who have the professional skill to give you lasting solutions. Look into it and you may find you'll want CBL — because these are the things we can give you.

We have some very satisfied customers:

- AA Mutual Insurance Co.
- Canterbury Building Society
- Chapman Tripp & Co.
- Command Services Corporation
- Fletcher Holdings Limited
- Hylin-Laundry Services
- Marac Finance Limited
- NZ Co-operative Dairy Co Ltd
- NZ Motor Corporation Ltd
- SIMU Mutual Insurance Assn
- Wilson & Horton

They're clients of ours. Ring them up. Ask them what they think of our services. An independent point of view is always well worthwhile. You may find our systems fit into your company too.

Find out the rest of the story
We can send you full brochures on our products and services. Clip off the coupon below and post it. Or ring and ask for advice on the areas of computerisation you're interested in.

Auckland - Kim Walker 31-489
Hamilton - Mike Bell 84-319
Wellington - Ralph Martin 857-939
Christchurch - Ross Allan 797-480

EM 22688

COMPUTER SYSTEMS & SERVICES
Technical Experts
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ARMACH
CHRISTCHURCH ADDRESS

NAME _____
COMPANY _____
TELEPHONE _____

The wages of credit are debt

by Belinda Gillespie

THE American "chargeaholic" who seeks help has his credit cards cut up in front of him. The pain of it often causes tears, but he won't get them back till he has controlled his debt.

It doesn't happen here — yet. But we are following the Americans, British and Australians into an age in which credit, not money, makes the world go round.

The wages of credit are debt, Americans have learnt to their cost.

Organisations such as "Spenderaholics", "Debtors

Anonymous", and the more soberly named Consumer Credit Counselling Service, have flourished in their efforts to help the one in 20 Americans estimated to be in serious debt.

Apart from home mortgages, the American consumer indebtedness is \$35 billion. This credit pile becomes in itself a kind of energy source to create more money.

The more the consumer buys, the more has to be made for him to buy — and that generates more jobs.

"The Americans are set new records of personal indebtedness," writes Dame McLoughlin in Britain's "Guardian", "so that they owe ever greater percentage of their income — if they pay their debts back faster than they incur them, they would actually slow down the economy."

In New York, the typical client of the Consumer Credit Counselling Service (CCCS) is the head of a household of three, in his mid-thirties, with a gross annual income of \$13,500. He probably owes \$700 in "consumer" debt to nine different creditors, and spends \$300 more than he earns, mostly in servicing the debt.

Clients, as often professionals as low earners, have simply overplayed their hand of credit cards. American adults have an average of 4.2 cards, in all a total of 80 million.

The banks and credit agencies which provide the money in the first place finance CCCS.

The longer the delay, the more the bank cards will be a hot aeroport. Specially once

the three Australian trading banks, New Zealand Bank, launch it, twelve months of the year.

Lacking credit card Zealand dealers still have means to get themselves financial advice, and local services to help them do it.

A Home Budgeting unit was set up early last year under section 10 of the Social Welfare Act. Dr John Grant, assistant director general of administration of the Department of Social Welfare, was reluctantly comment because the committee is still at the looking stage.

He said there voluntary budget exercises in the six spending in most categories of any size.

Auckland and Otago probably underestimate their size, while Canterbury has already completed services.

The credit card hasn't emerged yet, if the vexed question ready availability etc.

The people who sell advice are not generally attracted to plastic cards, even have problems deposit and interest rates.

Budget Advisory & Planning services are generally provided by Citizens' Advice Bureaux, which in turn offer Consumers' Institutes problems with credit cards.

The longer the delay, the more the bank cards will be a hot aeroport. Specially once

clients make up their minds to get out of the credit trap.

They make voluntary but tax deductible contributions to agencies which help families manage credit or repay their debts, to ensure that they themselves lose the inhibition from bad debts.

Clients of CCCS have a 15 per cent chance of repaying their debts, and of those who do repay, 95.8 per cent never get into debt again.

McLoughlin examines some of the forces which draw people into the credit trap. One is the tacit encouragement of a government forced to base economic growth on boosting every citizen's standard of credit. Americans are said to believe that they have the same right to credit as they have to vote. There are enormous pressures on individuals to "join the club".

In terms of the persuasion of sheer numbers, one of the best known cards, Mastercharge, increased its clientele from 5.7 to 40 million in just nine years.

Inflation has helped the credit boom. Capital goods bought on credit appreciate in value as the dollar depreciates, and the loan becomes cheaper.

The typical credit addict borrows to buy tangible assets, has several credit cards with an outstanding balance of about \$500, and, since interest payments are tax-deductible, figures that the government is shouldering a big chunk of his debt.

In this significant new publication, Ian McLean, farmer and agricultural economist, explains why production rather than market problems inhibit agricultural exports. He probes the pros and cons of five alternative policy strategies to combat New Zealand's persistent agricultural problems. McLean concludes that the weight of evidence supports one particular strategy.

The Future for New Zealand Agriculture, published by Fourth Estate Books on behalf of the N.Z. Planning Council.

Only \$4.50 at all good bookshops or direct from Fourth Estate Books, P.O. Box 2244, Wellington. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

'chargeaholics' wean themselves off cards

hit New Zealand, but suggested it was only a matter of time, as credit facilities were increasingly extended to lower income levels. "Those who have trouble with hire purchase and non-payment of accounts now will have similar problems with credit cards."

Jim Hughes, budget advisor for an inner city Citizens' Advice Bureau in Wellington, said his clients have problems with cash-flow accounting, rather than credit.

A couple living in the city, close to work and child-care facilities, could both work if money became tight.

"On a variable income," said Hughes, "people tend to spend at the higher level. Peak spending of Christmas is followed by the period of lowest income offer Christmas, with financial problems as a consequence."

Some budget advisory services take control to the extent of insisting that all wages are banked in a special account with two signatures, the budget officer and a family member.

The officer helps the family allocate its finances each week, and after everything else has been paid, the balance goes into housekeeping. Offers a more self-help approach, and may go through this exercise once or twice, then leave it to the family concerned.

Those who went to him of their own volition were generally highly motivated and succeeded in getting their finances in order, while many of those "referred" to the service refused to recognise

VisaCard, over and above any interest incurred. The National Bank Visa is slightly heavier, \$6 per six months.

Neither bank charges if the card is not used during its period.

Bankcard, the Australian bank's baby, is "free". There is no charge for it to the client's account as long as he stays within the 25 days after receiving his account.

Diners' Club and American Express are still for the top end of the market. But their credit cards would be the first to go in the hypothesized situation of New Zealanders becoming American-style "chargeaholics", representing the area of discretionary spending which has to be deleted for debts to be brought under control.

Meanwhile, competition is hotting up among those in the credit card game. Each bank makes its card sound bigger, better and brighter than the last.

The BNZ, for example, charges \$1.15 a month for its television and radio advertising.

inquiry, have been made even more attractive since July 1, when petrol became obtainable on a card. By law, no commission can be charged on petrol sales, so it is purely a service for card-holders, and an area in which the bank cards are unlikely to compete.

The debut of the BNZ Visa last year was unwelcome to many, who felt that the distribution of an unsolicited credit card, and the terms on which it was sent, was an infringement of their rights.

British banks met similar opposition when they introduced their systems back in the mid-1960s.

But now even the most severe critics, the retailers and consumer groups have accepted them as a fact of life, though sending them out unsolicited has become illegal.

Nostalgia for notes and coins and the loss of real money in their pockets seems unlikely to stop New Zealanders accepting their diets of plastic cards along with the rest of the consuming world.

their problem and often didn't return.

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At last. Clear concise ideas about the future of N.Z. agriculture.



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Please / where appropriate)

- I enclose \$20.00 for one year's subscription to National Business Review.
- Please bill me/us.
- I enclose \$..... for copy/copies of The Future of New Zealand Agriculture (\$4.50 per copy).
- I enclose \$..... for copy/copies of Participation & Change in the New Zealand Workplace (\$4.00 per copy).

Name.....

Address.....

Occupation.....

Signature.....

Award-winning design

"Last year it was announced that our Ralta Styler Dryer package had won a N.Z. Forest Products Design Award as best carton for consumer convenience. It is a four-colour Formakote carton featuring glued block walls and a fold-over lid which converts into an effective counter display. The Ralta Hot Pot packaging was judged best export carton and also highly commended as an outstanding structural design.

Real success in Australia

"We've received a lot of problems at the design stage, we can ensure you don't suffer from inadequate preparation through our knowledge of vital aspects such as construction and graphic design that appeal in various overseas markets. There are also many other requirements for branding, shipping instructions and marks, transportation laws and packaging regulations both here in New Zealand and overseas.

"Our service also includes help for exporters from our AHI Group Export Division. Their invaluable experience in dealing with many overseas countries

could provide you with important advice and guidance. The export market is an arena of worldwide competition.

The more attractive and professional your product looks, the more chance it has for success. Our long-term experience in export packaging has helped our clients avoid the dangerous pitfalls.

If you would like further information or a copy of our extensive 'Packaging for Export' brochure contact your local Hygrade Sales Office or the Marketing Manager, AHI Paper Products Group, Private Bag, Auckland.

ZEPHYR Hygrade Packaging Company, A unit of AHI Paper Products Group.

Export Packaging — from the Creative Packaging People.

XEROX

Hygrade Packaging Company

A unit of AHI Paper Products Group.

XEROX

Agents force showdown

WE have read the articles in our July 11, 18 and 25 issues with considerable interest.

The Travel Agents Association of New Zealand is determined not to let the current investigations into alleged cut rate fares sold by the Link drop.

We have deliberately kept silent in order to allow the Ministry of Transport to develop their inquiry without publicly. However, since your July articles, we have kept in close contact with the ministry in a concerted effort to ensure that charges will be levied against Link if the evidence warrants it.

We have no ulterior motive in trying to force a showdown. We believe that any fare or tour programme being sold should be available to all consumers and not restricted to a privileged few.

We absolutely refute allegations made in your July 25 issue that we do not consider the consumer. The consumer is our livelihood, so why should

we do anything that is likely to reflect on our business.

We have requested the Ministry of Transport to act on information supplied by our association.

Our desire is certainly not to force the closure of Link but purely to ascertain whether its methods of operating are legal or illegal within the law. If the inquiry proves that the Link's methods are legal then all travel agents must be allowed to offer the same advantages to all their clients.

The statement in your July 25 issue concerning "TAANZ fares" is quite incorrect. There is no such thing as TAANZ fares.

Agents for the airlines, we sell the legal fares offered by all airlines and we sell for and on behalf of these airlines as their agents. The Ministry of Transport sets the fares and they are administered under the International Air Tariff Regulations 1970 instigated by Government.

We always work in the best interests of the consumer and believe in open and fair competition in the market-

place. The policy of the association is quite clear.

(1) Are the International Air Tariff Regulations 1970 to be enforced or not?

(2) If not, then they should be abolished.

(3) If the Regulations are to be enforced, then are the current discounted fare packages in the form of club subsidies legal or not?

(4) All consumers in New Zealand must have the advantage of purchasing the most competitive fares available, through the travel agent of their choice. We believe strongly in the consumers' freedom of choice and TAANZ will fight to see that all consumers are not disadvantaged.

Our association members are bonded for the consumers' protection and we strive to render a high level of service to the consumer, thereby establishing that membership of TAANZ will ensure a high standard of competence, integrity and ethics.

MR GEORGE Chapman has announced his six point programme for 1979.

Members and prospective members of the National Party will note that, although he is the party president, he has expressed no interest in the party's aims and objectives. Just as the old shibboleths about canvassing, fund-raising and attracting young people — as if policies did not matter.

The Chapman programme is one of self-perpetuation

MIT J R Hunter criticises recent rate of inflation and yields is quite justified. I had looked only at the rate of inflation on returns in terms, he rightly points out, that I had misinterpreted the policies in the past, as allow for tax exemption on unit trusts.

Mr Hunter, however, is quite right in saying it could have expressed "conclusion much more simply by stating that the rate of return on bonds can be found by deducting the rate of inflation from the tax yield".

Five per cent interest per cent inflation plus differential return from 10 cent interest with 10 per cent inflation or 15 per cent with 12 per cent etc. According to Mr Hunter's yield is 3 per cent less than the proper figure: 7 per cent, 2.84 per cent and 2.679 per cent respectively.

The authority, after considering my paper in detail, resolved unanimously that there were in fact six different options for the future, and that a newsletter should be sent to all beekeepers setting out the reasons why the authority could not continue without restructuring its finances and

organisation, and setting the options for the future. The authority felt that any decision on its future should be referendums, and report back before the recent election for consideration.

The newsletter sent out thus the authority's position, although it did not put many of the points which were put before the board. A subsequent newsletter made by the authority's chairman quoted some further notes from my paper to the board and added some few comments of his own.

Government Representative NZ Honey Makers' Association

Policy yield draws fine line

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Government Representative NZ Honey Makers' Association

Construction Ltd through Vacation Hotels — are hoping to tap a new source of funds, best inflation.

The scheme is called time

sharing and the hotel industry

is hoping the New Zealander

will be eager to buy and

revitalise their industry.

For several years building

new hotels, despite the short-

term

of accommodation in

Auckland and Wellington has

been an unattractive

proposition.

THC is refining the concept

offering a week a year in a

luxury unit at Wairakei for 40

years. The cost \$10,000.

TIC's general manager

Tony Young says the concept

is primarily a marketing one

rather than financing, though

it will allow the redevelopment

of Wairakei.

Twenty, two bedroomed,

fully furnished and equipped

villas will be built around the

hotel on land THC already

owns.

Up to 25 per cent of the time

will be sold at high, mid and

low season rates ranging from

\$650 to \$6000. THC claims all

the money realised will be

invested in the construction of

the units and additional

facilities including another

tennis court, squash court,

sauna, coffee bar and disco.

Buyers will get "a license to

occupy", a title to one week's

occupation for 40 years. It will

be marketed and the New

Zealand Insurance Company

has agreed to grant mortgages

against it.

The unused time will be used

to build a holiday home, many

get together and split the costs.

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CRESSIDA.

Toyota announces a rare car.

Cressida combines technology that is uniquely Toyota, with luxury that success deserves.

Here is more sheer comfort and prestige than one might reasonably expect.

A quick two litre engine gives you thrust without thirst—a very responsible consideration for thinking owners.

The instrument display includes, amongst other uncommon delights, a quartz crystal clock and fully integrated cassette stereo.

The front seats are infinitely adjustable,—and the driver's seat embodies a lumbar support zone which you adjust to gently ease lower back fatigue.

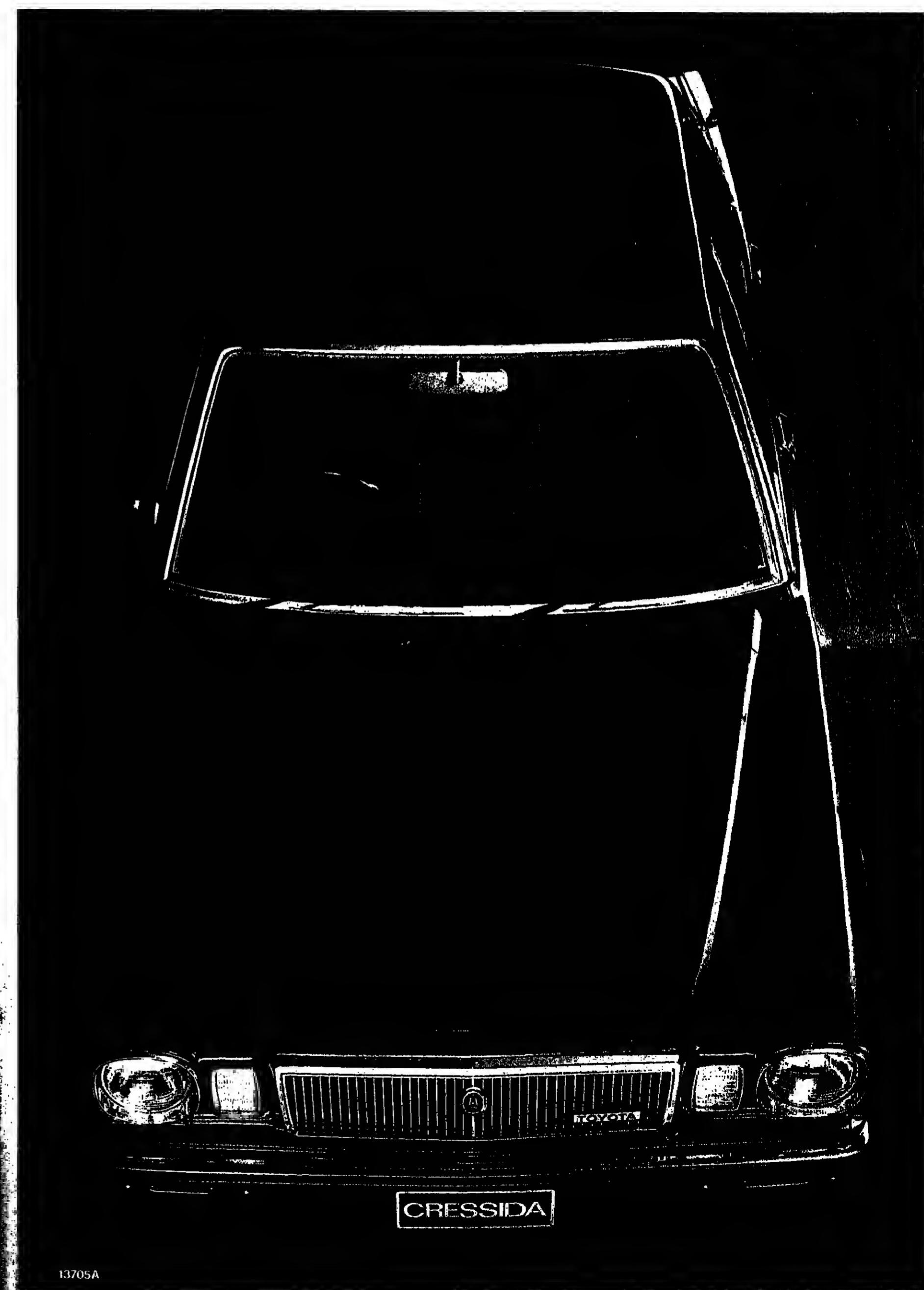
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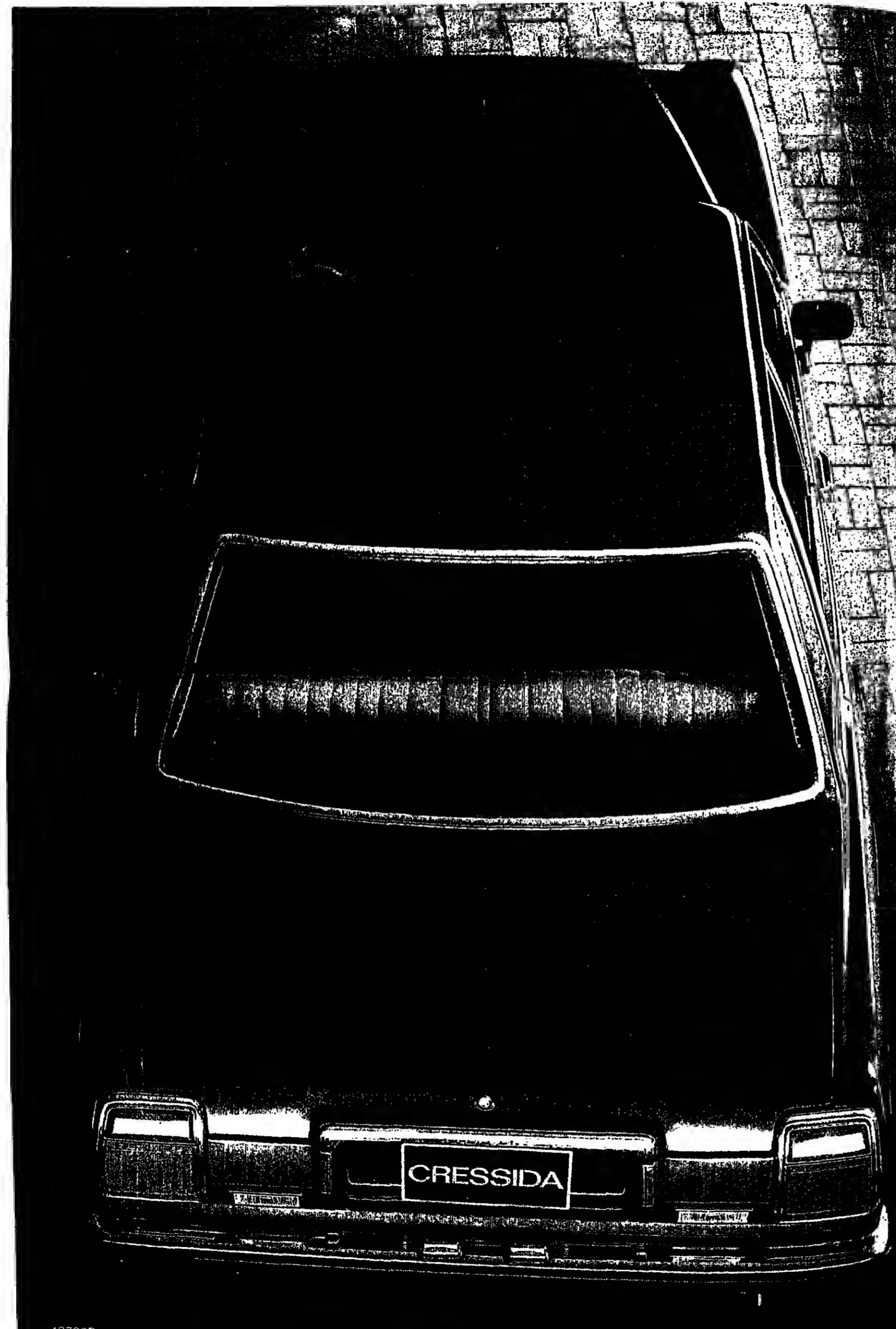
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Jogging, meditation and ear plugs fight jet-lag



by Special Correspondent
AN Auckland accountant's wife often vacuums around her husband as he stands on his head in the bedroom. It is his remedy for jet-lag.

Dysrhythmia, or jet-lag, as it is commonly called, is an affliction prevalent among businessmen and professional people who fly. Hurting through the stratosphere in pressurised, jet-propelled tubes, with a heady combination of food, alcohol, movies and stereo music, their circadian rhythm takes a frequent beating.

It is difficult to emerge several time zones later fit enough in body and mind to take on a dizzying round of business appointments. So how do they cope?

An Auckland group, who hold Air New Zealand Frequent Traveller cards, have diverse remedies.

Philippa Moore, sales director for Aunty Group Industries Ltd in Auckland, swears by an import from Germany: a feathered resembling bees-wax which she mounts into her ears to block out noise.

"It's available only at the chemist in Auckland's South Pacific Hotel and it's the only thing I've found that allows me to sleep in flight," she said.

Jogging and meditation do the trick for Terence O'Neill-Joyce, managing director of Ode Record Company.

Arriving in New York, he immediately dons shorts and T-shirt and pounds the city streets until things start coming into focus again. If there is a swimming pool in the neighbourhood he uses that. Or he meditates.

"Don't try to carry New Zealand time with you. The time thing is illusory," he said.

A glass of water drink every hour alleviates the dehydrating effects of the pressurised cabin for John Williams, general manager of Fashion Fabrics Ltd.

But Neil Mortimer, managing director of Mortice Holdings, is a gin and tonic man. Unlike many who sacrifice alcohol and cigarettes to combat jet-lag, Mortimer says two cans of tonic drunk with every miniature of gin is a practical paracea.

Supersonic travel and jet-lag are synonymous, according to textile importer Steve Bergquist.

"I flew supersonically from London to New York and arrived at the same time as I had left feeling like I'd been hit in the back of the head with an axe. Fast supersonic travel is a killer. I was dozy for two days."

The ideal for comfort is a slumberette on a Boeing 747. I usually try to leave New Zealand Friday night and arrive New York on Saturday night (American time) to have Sunday to sleep it off. They're a bright lot in New York so it's important to be on your toes."

If Bergquist arrives in New York on a weekday morning he junkets his appointments for the following day.

Jet-lag is recognised as a physical ailment by many American companies who award their employees suitable compensations.

The American tyre and retread manufacturing firm, B and J Rocket, is one of these. Its New Zealand general manager, Peter Woods, said a directly from Chicago allows travelling employees a half day off for each 12 hours they fly.

"Our director is a life member of the Million Miles a Year Club and, chalking up that kind of air mileage, he knows the problems we face," Woods said.

At the time of interview, he had just returned from New Guinea and the Solomons — 22 flights in 14 days. More often he travels to Germany arriving frequently "with blurrish speech like an inebriate".

"Germany is difficult enough but spoken in a comatose state it is nonsensical," he said.

"At a conference in Chicago our director tickled us all for looking half stupid and told us to get some sleep. In America it is vital to be at peak performance."

Woods claims he has trained himself to sleep during long flights. He uses mind over matter to programme himself to relax. He never wears ties in flight but comfortable open-necked shirts, jeans or safari suits.

"In Central Europe they dress like they are off to a picnic and change into suits half an hour out," he said.

Several businessmen said they prefer to fly during daylight hours and arrive at night to sleep.

Lori Holmes uses exercises and milk and tea maria on the London flights she takes in her

capacity as a tour escort for Atlantic and Pacific travel agency.

"Always stand at transit

stops to get your circulation going and prevent ankle

swelling and use isometrics

during the flight.

"Being a mother I am

particularly sensitive to noise

so I use ear plugs and cotton

binkers to sleep."

Many businessmen are wary

of popping sleeping pills

on long flights, but Air New

Zeland's principal medical

officer Dr Fred Platts con-

siders the normal dosage of

sleeping pills not a bad idea on

a long flight.

His advice to businessmen is

to rest up if possible before

long trips and try to fly during

the normal daylight periods,

arriving as close as possible to

the local bedtime. One or two

day stopovers are advisable on

long-haul flights. Exercise

on flight — walking up and

down the aisle every three or

four hours — and during

transit stops is a must to avoid

swelling.

He advises eating light and

skipping a meal or two on long

flights.

"Drink but don't overdo the

alcohol. Two or three 3000

metre dry martinis are

ideal as four or five sea-level

martinis. An inflight hangover

is more painful and lasts

longer than one acquired in a bar. Alcohol poisons the tissue

cells so they cannot use oxygen

properly. With the reduced

oxygen supply in an aircraft,

the ill-effects become more

pronounced.



"If you smoke, reduce in-flight smoking and you will arrive in better shape. Smoking increases the amount of carbon dioxide in the blood, cuts the amount of oxygen (as does alcohol) and compounds the effects of dysrhythmia."

Dr Platts stresses the need to drink sufficient non-alcoholic liquids. In the pressurised air of the cabin which contains only 10 per cent of the humidity at ground level.

He says airline crew are five times as likely to acquire kidney stones as other people as a result of dehydration. The heat and low humidity accompanied by the lower aerometric pressure dry out respiratory passages and regular fluids resulting in scratchy throats and dimming vision.

He recommends comfortable clothes in natural fabrics like cotton or wool which let the body breathe. And once seated he advises taking shoes off to prevent ankles swelling.



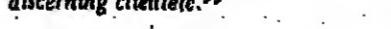
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Anti-fluoride campaigners stir public opinion

by Belinda Gillespie
THE Commission of Inquiry into the Fluoridation of Water Supplies reported to the Government in July 1957 that fluoride in the water was good for the teeth, and harmless. It recommended that local authorities should take the decision to fluoridate, with the consequence that the issue had been of some importance in local politics ever since.

Fluoridation was supported also by an impressive list of scientific authorities, the Ministers of Health in both the National and succeeding Labour Governments, and the Department of Health.

But referenda in eight places in November 1959 all resulted in heavy majorities against its introduction.

The reasons for this decisive rejection of medical and

scientific opinion in 1959 probably hold good for similar rejections in 1979.

Political scientist Austin Mitchell pointed out that the opponents of fluoridation seem small and weak. In comparison with such heavyweights as the Medical and Dental Associations, the Plunket Society and the large Dental and Medical College of the University. But they are vociferous, and have one great advantage over the supporters of fluoridation. The local authority, through whom fluoridation must be implemented, is at the mercy of public opinion, as its supporters have to handle the issue delicately.

The Health Department's policy was—and still is—to persuade local authorities to introduce fluoridation, at the same time introducing a low-key educational campaign to tell the public of its advantages.

But events in Hastings—the first New Zealand town to be fluoridated—showed early on that public fears could easily be stirred up by campaigners threatening mass poisoning and the death of human rights.

A number of those who oppose fluoridation are old campaigners.

The Soil Association of New Zealand, with 15 branches throughout the country, has an official policy of opposition to the fluoridation of drinking water, and disseminates its views through the Soil and Health Journal, now in its 30th year of publication.

Sir Dove-Meyer Robinson is patron of the association. He holds the same office in the newly-formed New Zealand Pure Water Association, whose aims are to combat the pollution of natural water supplies and find alternatives to the practices that cause water pollution.

The New Zealand Anti-Fluoridation Society (President—Dove-Meyer Robinson) was the precursor to the Pure Water Association. It was flourishing 20 years ago, when Sir Dove-Meyer claimed in a Dunedin campaign that "fluoridation is the hottest

as in the recent church and Roerua do supply, all but to accept its presence, if that of the watercourse substance, chlorine.

Supporters of the campaign therefore have always prevented it becoming an issue which would bring the Health Department here in this way.

At the time of the campaign extracts from confidential debate documents contained statements such as "work quietly," and "to avoid if possible public meetings and debates," were leaked to the press and were used by the anti-fluoride lobby to show that the health authorities were trying to fluoridate by stealth.

The cautious approach has allowed the opponents of fluoridation to take the initiative. They can bring the issue before the public, raise their own points, and sow doubts in the public mind, while making it seem that the Health Department and the local body involved are trying to enforce fluoridation by underhand means.

Mitchell's study showed,

above all, the susceptibility of councillors in Dunedin to public opinion. After an initial

review of the arguments, the council approved fluoridation in principle, with no dissenting voice. But a by-election brought in J. A. Sted, a strong opponent of fluoridation, and seeing against fluoridation began to crystallise.

The Anti-Fluoridation Society collected the necessary number of signatures, and campaigned assiduously till the time of the election.

The line that fluoridation was part of the Communist plot was not pursued in Dunedin on a large scale—"it would keep the general public awake during a steady encroachment of Communism—keeping a store of deadly fluoride near the water reservoir would be advantageous during the time of the revolution as it would give the opportunity to dump this poison into the water supply."

Eventually the five Labour

councillors came out in favour of a referendum on the question. They were opposed, however, by the seven Citizens' Association candidates, and the mayor.

The motion for a referendum was lost.

The flood of unfavourable reaction ensued one councillor to change his mind, making the council evenly divided.

But the Mayor still held the casting vote.

The flood of unfavourable reaction ensued one councillor to change his mind, making the council evenly divided. But the Mayor still held the casting vote.

In the absence of a clearcut majority on the council, the decision was made to hold a referendum if requested by a petition signed by 10 per cent of the electors.

The Otago Daily Times, with a bigger circulation, advocated "letting the people decide", and its editorial and news content were consistently anti-fluoride.

The "fors" also tended to have a higher level of educational attainment than the "ants".

Dunedin's water supply was eventually fluoridated in 1967.

The most recent—Rotorua

has since reversed its decision.

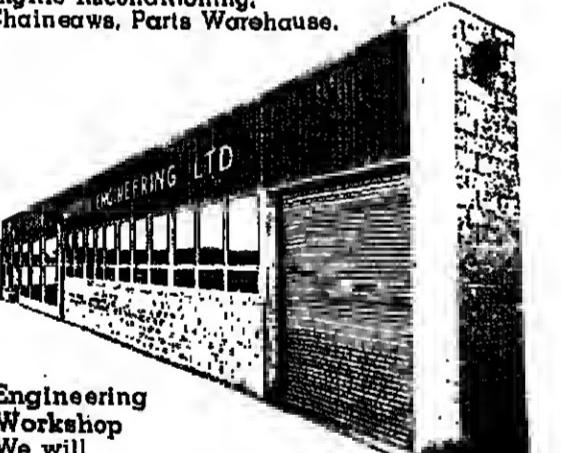
The battle is not over, however. A New Zealand Medical Journal report last year described a submission by ratepayers in the Dunedin City Council demanding that fluoridation should stop because it caused cancer.

The council was informed by the District Medical Officer of Health and other authorities that the claim was groundless, and accepted the continuation of fluoride in the water supply.

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from opposition centres in the United States, and by enunciating every "pro" authority with an "anti" of their own the society propagated the view that there was serious division among scientists.

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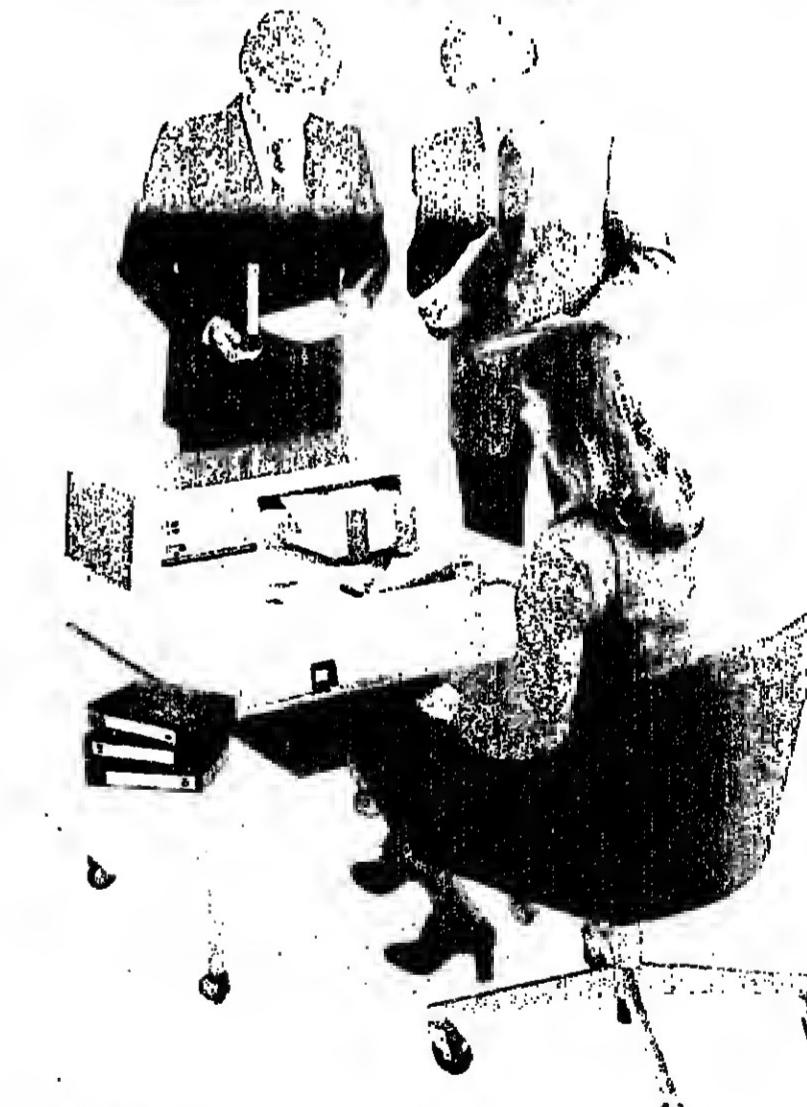
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Interest rates grow as money growth slows

Economics Correspondent

THE Reserve Bank is carrying out Muldoon's Budget threat to make things tougher for financial institutions. According to the Budget, tighter monetary policy is required to restrain growth in aggregate domestic expenditure over the coming year.

Muldoon's election-year expansion of the economy was poorly timed.

The increase in aggregate demand did not generate employment or a higher level of private output. Instead, it spurred on inflation to even greater heights.

Now his desire to control this inflation is throwing a spanner in the workings of one of Muldoon's better ideas, flexible interest rate policy.

With no controls, interest rates have rocketed. And recent efforts to control the growth in the money supply and the expansion of lending by financial institutions in order to bring domestic demand in line will cause interest rates to stay at their present high levels for some time.

Latest estimates by the Reserve Bank show that the money supply as broadly defined grew by nearly 20 per cent in June year 1979. The broadly defined money supply (M3) accounts for all currency, cheque accounts, savings and fixed deposits held by members of the public in trading banks and other financial institutions.

During the June year, total domestic credit (lending within New Zealand) is estimated to have grown by



THE ECONOMY

requirements for current liquidity.

To slow the banks that the Government really means business, reserve asset ratios for August have been set so that the allowance for banks' "free reserves" (free cash) has been cut from \$50 million to zero. Up until this year, banks were allowed to maintain "free reserves" of \$100 million.

Reserve asset ratios stipulate the proportion of deposits a financial institution is required to hold in cash, as deposits with the Reserve Bank or in Government securities. The financial system expands its business by lending as large a proportion of its deposits as is possible. The more it holds in reserve assets, the less it can lend.

As Table A illustrates, growth in the money supply and domestic and private sector credit has been higher than this during the 1970s. But apparently the Government wants to put the lid on credit growth before it reaches 43 per cent, the previous high rate in 1973.

The banks have been warned several times over the past year to curtail their lending. Recently, a credit growth guideline was set which stipulated that lending must be kept to between 8 and 12 per cent for this year.

This will be no easy task for the banks since domestic credit growth has not fallen below 14 per cent since 1972. Also, with inflation expected to reach record levels this year, banks are worried that their customers will need to borrow more just to meet their



RESERVE BANK . . . watching the money grow.

must have some "free reserves" or reserve assets over and above its reserve asset requirement.

When a bank does not have any free reserves, it is forced to borrow from the Reserve Bank at penalty rates.

Export receipts are expected to rise in the September quarter, according to the New Zealand Institute of Economic Research. This is one reason why the Reserve Bank did not have to raise its reserve asset ratio above 42 in August in order to cut back banks' free reserves to zero.

One way the banks is in charge of their higher rates of interest will not help economic growth and inflation.

In practice, the reserve asset ratio requirements have not previously controlled domestic credit expansion as much as the government would like. Things have come to a head recently when other monetary measures have failed to slow down the growth in private sector credit. Furthermore, despite fairly rapid growth in the money supply, interest rates have not fallen as they have continued to rise.

Now, rather than accommodating the banks by

borrowing them with free reserves, the Reserve Bank is making room for any expansion in lending banks are being hit by. Banks must pay a penalty rate if they fail to maintain the level of reserve assets.

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One way the banks is in charge of their higher rates of interest will not help economic growth and inflation.

The consequences of America's energy efforts in the next decade are likely to be a good deal more serious for the rest of the oil-dependent world.

To Americans in the know, there were several signals of the reassessment to come days before Carter announced the cancellation of his first scheduled energy speech.

The retreat to Camp David

was followed by the filing of trust documents and thinkers from their early summer holidays and other activities.

Those who arrived in the first few days found Carter "gaunt" and spoke of the "spirit pushing the flesh".

His ability to contemplate the problems which go much deeper than the immediate energy crisis had been eroded by the "sturm und drang" which is the fate of all US Presidents.

Carter's initiative in breaking away from routine was no isolationist spell spent only with his court flatterers.

Apart from his own abysmal standing in the polls, there was a new shock to the American psyche. For the first time ever the polls recorded the fact that a majority of Americans believed that the next five years would be worse than the previous five.

Add to this a continuing decline in faith in all significant American institutions, and the cause for massive uncertainty becomes clearer.

Carter apparently asked his

— and took — open comment, and was psychologically open to a wide range of people.

So after all this advice, thought and decision, what direction is America taking? The most obvious international reaction to the plans announced after the Camp David retreat has been seen in the fall in the value of the American dollar.

But the facts influencing this negative reaction have been largely hidden by the dramatic nature of the Cabinet changes that immediately followed the third of Carter's energy speeches. Internally the purge more reminiscent of "Clodius" than modern America, clouded the energy debate, and stopped many of the facts less than favourable in Carter's plans from getting a full public airing.

The likely boost to international energy prices is not the only problem we have to worry about. A well-known adage has it that when America sneezes, the world catches cold. So if inflation, far from being brought under

US 'energy corporation' falters on arithmetic

control in the United States worsens, the impact will be felt worldwide.

Probably the most worrying point about the whole energy situation relates to the potential for the further generation of internal United States inflation.

President Carter announced an expenditure programme of \$140 billion for the next decade, to tackle the energy crisis.

Most of this was to go towards the costs of providing new domestic sources of energy, with significant but smaller amounts allocated to boosting urban public transport services, to helping the poor cope with energy consequent problems, and other matters.

This money, President Carter said would all be raised from the "excess profits tax" now imposed on "the oil companies."

If this windfall can be raised from the oil company estimates of the yield from the tax range from \$4 billion dollars to a maximum of \$5 billion a year, or a maximum yield of \$60 billion dollars.



EDWARD KENNEDY . . . advocates the alternative energy course.



JIMMY CARTER . . . psychologically open to a wide range of comment.

inconsequential sum be drawn? And what impact will it have on domestic inflation?

From here the questions start, and the absence of hard realistic answers could herald a real worsening of the general energy and economic outlook.

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